

# Memo

**To:**

**From:**

**CC:**

**Date:** 3/1/2016

**Re:** Magnolia Health Plan MLR Reporting

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**Background:** Magnolia Health Plan's managed care contract with the Division of Medicaid (DOM) which became effective on 7/1/14 requires that all populations covered under the contract in aggregate maintain an 85% medical loss ratio (MLR) or higher. If an MLR lower than 85% based on actual experience is realized, premium dollars must be rebated back to the Division of Medicaid to bring Magnolia to an 85% MLR based on the contractual provisions.

As of 7/1/2015, the newly effective managed care contract for the CHIP population also included an MLR provision similar to the MSCAN contract. This MLR calculation is separate from the calculation under the MSCAN contract and will also require a minimum 85% MLR threshold to be maintained.

**MLR Calculation:**

Each MLR calculation is performed on a state fiscal year basis until 1/1/16 when the calculation will transition to a calendar year basis. In order to perform the MLR calculation, Magnolia Health Plan conforms to the instructions included in the 7/1/14 MSCAN contract entitled "Exhibit C: Medical Loss Ratio (MLR) Requirements".

The MLR's numerator will include Magnolia Health Plan's incurred claims plus all expenses for activities that improve health care quality while the MLR's denominator will include all capitations paid or payable to Magnolia Health Plan by the Division of Medicaid excluding those portions allocated for premium tax, Health Insurer Tax, or the Mississippi Hospital Access Program payments.

The MLR percentage calculated by taking the ratio of the numerator and denominator should be rounded to three decimal places prior to calculating any associated rebates if the MLR percentage is under 85%. The amount of the rebate (if applicable) will be calculated by taking 85% minus the actual MLR percentage multiplied by the total amount of capitations paid or payable to Magnolia Health Plan (absent any of the aforementioned deductions).

Administrative expense in the MLR calculation is primarily allocated on a percentage of revenue basis as many of the costs incurred are based on a percentage of revenue. The remaining administrative costs are specifically identified as to whether they are related to commercial or Medicaid products.